

## Market Orientation in a Small Scale Enterprise Environment: Importance of Product-Related Factors

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**Abstract:** This study uses the results of an evaluation programme to examine the value of a market orientation for small scale manufacturer in the mass retail market. Results show that an evaluator's assessment of a product's readiness for the marketplace and his/her recommendation for the type of market it should enter were better at predicting short-term and long-term performance than market orientation alone.

**Key words:** Market orientation, small scale manufacturer, retail market, performance, product, Nigeria

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### INTRODUCTION

Small firms tend to adopt a strategic orientation that focuses either on production, selling or the consumer (Longenecker *et al.*, 2003). The consumer orientation is similar in definition to a market orientation as defined by Kohli and Jaworski (1990) because it begins and ends with the needs of the customer. A production orientation on the other hand, involves efficient operations, low cost production and lower prices while a selling orientation focuses on aggressive marketing methods for products that need customer awareness. Both the production and selling orientations have been criticized because neither creates much value for the consumer in terms of customer satisfaction or additional product benefits. Longenecker *et al.* (2003) recommended that all new start-ups adopt a consumer oriented philosophy or market orientation to achieve long-term success.

Is it correct however, to assume that a market orientation is the best option for all small firms? In particular, manufacturing firms supplying to the mass marketplace have to put great emphasis on meeting production quotas, attaining quality levels and properly pricing their products for retail distribution in order to perform at a high level (Blois, 2001). Noble *et al.* (2002) found that a selling orientation and only one aspect of a market orientation led to superior performance for firms in their study.

They concluded that different strategic orientations may fit certain environments better and suggested that more studies use a longitudinal approach in examining market orientation's effect on performance. This study investigates the role of Market Orientation (MO) for small manufacturers vying to be suppliers in the mass retail marketplace. In doing so, we assess the performance of these manufacturers over a period of time using

performance measures including product-related factors (e.g., market readiness), actual product acceptance and survival. Specifically, we question if small manufacturing firms that adopt a market orientation are better in the short term at having their product reviewed and accepted by a mass merchandiser and better in the long term at surviving in the market place. To the knowledge, there are no articles that examine market orientation's effect on small manufacturer performance over time using specific product-related performance measures.

**Market orientation concept:** Market orientation has been the most researched topics in the marketing discipline over the last four decades (Kotler, 1997; Levitt, 1960; Narver and Slater, 1990). For example, >125 studies on this topic were catalogued by the Ebsco Host database in the last 2 years. As, Kohli and Jaworski (1990) define it, market orientation is simply the implementation of the marketing concept which earlier scholars argued was critical for business success (Desphande and Webster, 1989; Houston, 1986).

Firms with a market orientation focus on the customer, the competitor and cross-functional coordination by generating and communicating market intelligence throughout the organization and responding to it effectively (Kohli and Jaworski, 1990; Narver and Slater, 1990).

The basic concept of market orientation is that the firm itself is responsible for management practices which increase the organization's exposure to information about its specific environment as Porter (1980) would call it. By doing so, it improves its ability to disseminate and make use of the data in order to enable it to compete in the marketplace. Slater and Narver (1994) in their model define market orientation as a series of steps: information acquisition (about customers, competitors and other

market factors), interfunctional assessment and shared diagnosis and coordinated action. These three steps lead to, in their words, superior customer value. They then insert their model as one of the steps leading to core capabilities, competitive advantage and business performance, meshing with Porter (1980)'s competitive strategy model.

Jaworski and Kohli (1993) in their model have three antecedents to market orientation: top management factors, interdepartmental dynamics and organizational systems. These lead to the market orientation components of intelligence generation, dissemination and use (responsiveness) which then impact employees and business performance. All of these factors as in Slater and Narver (1994) and Stanley and Narver (1994)'s study, emphasize the role of organizational processes and characteristics which will directly affect business performance.

**The market orientation-performance relationship:** The relationship between market orientation and performance has been investigated extensively. For example, Narver and Slater (1990) found a positive relationship between market orientation and profitability after controlling for market and business factors such as buyer power and business size. This relationship varied, however, based on business type and the researcher suggested that the cost of achieving a market orientation may eventually outweigh the benefits for some firms.

This point is one which we believe is true especially for smaller firms and one which we will discuss at length in the study. Other studies found that market orientation is positively lined to different measures of performance including sales growth, new product success (Slater and Narver, 1994; Stanley and Narver, 1994) and product quality (Pellham and Wilson, 1996). Pellham and Wilson (1996) compared market orientation's effect on performance to that of firm and industry characteristics and found that MO had the strongest influence. In particular, small firms were better performers when they quickly responded to customer feedback and environmental changes in the marketplace.

Slater and Narver (1994) examined the mediating effect of competitive environment on the market orientation-performance relationship and they argued that the role of environmental influences from competitors is overrated, though they do acknowledge a limited effect: Why should a market-oriented business necessarily be influenced by environmental factors? With its external focus and commitment to innovation, a market-oriented business should be prepared to achieve and sustain

competitive advantage in any environmental situation. Nonetheless, the two major streams of research on market orientation (Kohli and Jaworski, 1990; Stanley and Narver, 1994) seem to agree that a firm controls to a certain extent, its success through its willingness to open itself to multiple market information sources and too respond to the opportunities and threats awaiting it in the greater marketplace.

It makes intuitive sense. A firm that is unwilling to listen to the demands of the marketplace will also fail to see the dynamics of the economic system and its pitfalls, fail to respond to customer needs and supplier constraints and fail to see technological shifts or resource contractions before they arrive. Firms that are not market-aware are logically doomed to extinction.

Siguaw *et al.* (1998) focused on the supplier-distributor relationship and how the market orientation of one affects both the market orientation of the other firm and the characteristics of the relationship between the two. They found that a supplier's market orientation has a strong effect on the market orientation of the distributor and on the distributor's commitment to the relationship.

The distributor's market orientation, in turn, affects the trust and cooperative norm characteristics of the relationship. The study also found that these variables directly affect the distributor's satisfaction with its financial performance, although the supplier's financial performance satisfaction level was not tested. While, this is not a direct test of product characteristics, this study does examine the successful relationship between manufacturer and distributor, a test of the satisfaction of the customer with a supplier's line of products. It opens the door to the idea that more internal characteristics may be at work in the market orientation models by Kohli and Jaworski (1990) and Stanley and Narver (1994).

However, these two models, linking market orientation directly to business performance, emphasize strongly the focus on managerial practices and show no reliance on product-specific attributes, characteristics or qualities. The MARKOR scale (Kohli *et al.*, 1993) includes some product-linked items but these are largely tied to management activities rather than product-market fit factors. Examples of these include: intelligence generation, responsiveness.

**The addition of product-related factors:** Product-related factors seem to be a primary reason for small business failure and failure is often the measure of performance used in small firm studies. Research on factors accounting for small business success or failure has long ago found several critical stress points. Larson and Clute (1997) found that failed firms did not understand their target

markets and specific customer needs. Other studies have suggested that small firms that failed produced lower quality products that were not ready for the marketplace (O'Neill and Duker, 1986; Bruno *et al.*, 1987).

Bruno *et al.* (1987) in fact identified three problem areas for failed firms but the product/market category was cited as the major reason for failure. In their study, firm owners showed difficulties with designing a market specific product, hitting the market at the right time, creating a distribution strategy and developing a customer base. Managers of failed firms stated that they should have waited on the window of opportunity for their product and would do so in the future if given a second chance.

Meyer *et al.* (1993) compared the perceptions of small firm owners and their venture capital partners. They noted that entrepreneurs were more likely to attribute failure to poor management practices but their venture capital partners pointed to external market and product factors. In a follow-up study, these researchers found that the most frequently named failure factor was poor external market conditions (including competition, market growth and market size) (Zacharakis *et al.*, 1999).

Riquelme and Watson (2002) showed similarities between the beliefs of UK venture capitalists and previous literature regarding the reasons for success/failure in small-to-medium sized firms. They identified >12 product, service and marketing issues as new firm success/failure factors from both samples including market growth, product protection, market timing and product-related deficiencies.

Small manufacturers, in general, do not directly retail their products to end consumers any more than do large manufacturers and even business-to-business relationships are managed through professional buyers. Of all critical product-related factors important to buyers, quality and price seem to be the most commonly cited in the literature (Pearson and Ellram, 1995; Piercy and Cravens, 1997; Verma and Pullman, 1998).

Blois (2001) noted that small manufacturers consider markets with high levels of buyer concentration (e.g., mass merchandising) to be less flexible in terms of the number of potential customers for their products. Perhaps, this is one explanation for why many small manufacturers find the mass merchandising market difficult to enter. To be considered as potential mass retail suppliers. Donovan (1996) suggested that small manufacturers must improve their product quality, pricing strategies and order processing. Jones *et al.* (2004) support the importance of pricing strategy for small manufacturers but they also cite

technology transfer and commercialization stage as critical factors. Kim *et al.* (2005) found that small manufacturers wanting to be considered as mass merchandising suppliers were more successful when they met high standards in the areas of merchandising potential, demand stability and perceived appearance.

The small firm research cited above highlights the importance of product-related factors to market success. Market orientation is not specifically measured in any of these studies, although, some MO factors can be seen in them. The MO concept has been successfully used in small firm research (Kara *et al.*, 2005) with research is limited to date. In small service retailers but this stream of research is limited to date. Infact, the insertion of product-related factors into the market orientation-performance mix has not yet been fully examined especially for small manufacturers.

It would be improper to suggest that Kohli, Jaworski, Narver and Slater completely overlooked the importance of a firm's products to its ultimate business performance. On the contrary, each item in their market orientation models underscores the importance of a good product or service delivered as the customer wants it when the customer wants it and where the customer wants it as at a fair and reasonable price. The successful firm establishes a relationship between itself and its customers which if maintained and developed over time will lead to higher performance levels. For example, Siguaw *et al.* (1998) and Langerak (2001) suggest that the supplier's orientation leads to improved customer performance and Langerak found that the customer's performance improvements could be measured by both financial and customer value scales. Suppliers that had high market orientation helped the appearance of their distributors by making them look superior and more valuable to end customers. This creation of superior value is the foundation of the seminar work done by the original four researchers.

This study extends earlier research by examining the market orientation-performance relationship using product-specific attributes. We look at whether small manufacturers who adopt a market orientation demonstrate higher performance over time and whether product related factors should also be a part of the analysis. We believe that firms in the study with high market orientations will be more successful than low market oriented firms both in getting their products reviewed by a mass merchandiser and accepted for inclusion on shelf and in the long term at surviving in the marketplace. Therefore, we hypothesize that:

**H<sub>1</sub>:** A market orientation will be a significant predictor of small scale manufacturer performance.

**H<sub>2</sub>:** A market orientation, product related factors will be a significant predictor of small scale manufacturer performance.

## **MATERIALS AND METHODS**

The sample for this study consisted of small scale manufacturers who participated in a supplier evaluation program developed at a regional south west university. All of the participating firms were independently owned manufacturers who wanted to be suppliers for a major mass merchandiser.

Of 2113 potential suppliers, 1690 (80.0%) completed both parts of the evaluation process which included a firm self assessment and an independent product evaluation. About 19% (321 firms) were female-owned and managed. The respondents were all states and racial, ethnic and other minority information were not kept as part of the main database.

All firms supplied products exclusively for consumer purchase and none of the firms was dominant in its industry. Products varied in suggested retail price from inexpensive and/or point of purchase to major purchase levels.

The supplier evaluation program required a firm to complete two assessments: a self appraisal of its management practices and an external review of its submitted product. The firm assessment measure which evaluated the management practices of potential suppliers was a self-administered instrument used by program participants.

About 34 items were based on prior research conclusions and discussion with potential buyers from the mass merchandize industry. The items generally fell into the areas of marketing management, strategic management, production operations and financial management. The firm self-assessment items were structured with evaluation statements and multiple levels of measurement scored from 1-5 points. The three point response was the minimum performance level acceptable to retail buyers. The product evaluation instrument consisted of 41 items based on the product innovation evaluation system developed at the University of Oregon (Udell *et al.*, 1997).

Product areas included societal impact, business risk, demand analysis, market acceptance, competitive capabilities and experience and strategy. An independent, trained evaluator completed this portion of the assessment process. The independent evaluator was

typically a current or former retail buyer or an experienced small firm owner with a retail background whose role was to assess the mass market potential of the product.

The product evaluation instrument was similar in structure to the firm self-assessment. Products were judged objectively on a five point ordinal scale using specific achievement levels rather than a sliding subjective scale. The three point response was the minimum performance level acceptable to retail buyers.

**Market orientation measure:** The items used in the analysis were not designed based upon any one theoretical construct but rather upon current research and buyer demands for a highly competitive market. The Market Orientation (MO) variables used in this study aggregate items which are similar to those suggested by Kohli *et al.* (1993) for the MARKOR instrument. However, some alterations were necessary.

First, there is no dissemination variable as suggested by MARKOR. This variable tests whether the information generated by the organization is distributed to others throughout the firm for the later use.

In smaller firms, this dissemination process is often unnecessary because the person who is likely to use the information to respond to the market is also the person who has generated the information: the owner/manager (Verhees and Meulenber, 2004). Since the firms in this study are almost exclusively firms with a centralized decision-making structure controlled by the owner/manager we did not use a determination variable.

Second, the items used in this study were matched, where possible to those suggested by MARKOR. Dawes (2000) and Enright (2001) had similar variations to the Markor instrument which fit the organizations being studied better than the items outlined in the original study (Kohli *et al.*, 1993).

The items found under firm self-assessment have notations following each which indicate which ones were used to create the sub variables of Intelligence Generation (IG), Responsiveness-Quality Management (RQM), Responsiveness-Financial Management (RFM) and Responsiveness-Strategic Management (RSM) showed acceptable values for IG (0.801), RQM (0.880), RFM (0.893) and RSM (0.880). The final market orientation variable (MO) was created by averaging all the selected items for each program participant. The reliability score for the averaged MO variable was 0.860 indicating a more consistent market orientation measure.

**Performance measure:** The first two performance measures are the independent evaluator's assessment of

a product's readiness to enter the market PERA and the evaluator's recommendation for the appropriate market level (PREC). The higher the evaluation value for each variable, the better the evaluator felt about the product's ability to compete in the mass retail marketplace. The evaluator's recommendation for market level was scored from 1-5.

The other two performance measures concern the actual performance of the product/firm in the market place. The product's acceptance on a mass merchandiser's shelf (ONSH) was determined by contacting the mass merchandiser and asking which program product had actually been approved for retail.

The firms's survival rate (SURV) was determined by contacting participants by mail to determine whether or not they were still in business. The 1652 firms with complete contact information in the database were mailed to explanatory letters and asked to contact by mail or e-mail concerning their current status. A follow-up mailer was sent two weeks later. Of these 1653 firms, 891 (53.9%) chose not to respond to the mailing while 130 (7.9%) chose to respond.

Another 631 letters (38.2%) were returned as undeliverable. Because of these results, the researchers classified those who responded to the survey and those who chose not to respond as assumed in business.

**RESULTS AND DISCUSSION**

Table 1 shows the Pearson correlation results for the averaged independent and dependent variables identified earlier in this study. There were highly correlated relationships between each of the MO independent variables, with a range of coefficients between 0.495 (p<0.001, Responsiveness Quality

Management (RQM) and Responsiveness-Financial Management (RFM) and 0.767 (p<0.001, Responsiveness Strategic Management (RSM) and Intelligence Generation (IG). Each of these MO variables was also significantly correlated with the performance variables of evaluator's readiness assessment (PERA) and evaluator's recommendation (PREC).

The coefficients for these last relationships, however were weaker than those between the MO independent variables themselves (coefficient ranged from 0.399-0.499, all at the p<0.001 significant level. The averaged MO variable had stronger correlation coefficients with both PERA and PREC (0.517 and 0.552, p<0.001) and these stronger relationships may indicate that MO is a preferable choice for use in the extended model for predicting success.

This disagrees with the recommendation by Dawes (2000) and Noble *et al.* (2002) for a disaggregated MO variable set but it does support Narver and Slater (1990)'s, averaged measure of market orientation. PERA and PREC were highly correlated with a coefficient above 0.6 and a significant level of p<0.001.

All of these variables were then tested against the two other performance variables: whether or not a product was eventually accepted and placed on the retailer's self (ONSH) and whether or not the firm was assumed to still be in business (SURV). While, all of the previous variables were significantly correlated with ONSH, clearly the evaluator's recommendation (PREC) was the most highly correlated (0.748, p<0.001). Only two of the variables were at all significantly correlated with SURV and the coefficients for these two (IG and RSM) were very weak. Even ONSH did not appear to have a significant relationship with SURV. The relationship of any of the variables to long-term survival then appears to be in question.

Table 1: Correlation analyses

	IG	RFM	RSM	RQM	MO	PERA	PREC	ONSH
RFM	0.578 0.000							
RSM	0.767 0.000	0.546 0.000						
RQM	0.662 0.000	0.495 0.000	0.590 0.000					
MO	0.882 0.000	0.808 0.000	0.861 0.000	0.804 0.000				
PERA	0.499 0.000	0.430 0.000	0.486 0.000	0.438 0.000	0.551 0.000			
PREC	0.468 0.000	0.413 0.000	0.455 0.000	0.399 0.000	0.517 0.000	0.605 0.000		
ONSH	0.301 0.000	0.256 0.000	0.293 0.000	0.251 0.000	0.328 0.000	0.293 0.000	0.748 0.000	
SURV	-0.050 0.043	-0.034 0.171	-0.051 0.040	0.010 0.697	-0.038 0.127	-0.031 0.233	0.016 0.526	0.032 0.195

Field survey, 2009, Correlation coefficients listed first followed by significance level (p<0.001)

Table 2: Market Orientation (MO) regression analyses

Dependent variables	R	R <sup>2</sup>	Adjusted r <sup>2</sup>	Unstandardized coefficients		
				Constant	MO	Significance level (p<)
PERA (MO)	0.551	0.303	0.303	-0.027	0.673	0.000
PREC (MO)	0.517	0.267	0.267	0.187	0.940	0.000
ONSHO (MO)	0.328	0.108	0.107	-0.619	0.288	0.000
SURV (MO)	0.328	0.001	0.001	0.715	-0.028	0.127

Field survey, 2009

Table 3: Product-related factors and on shelf status regression analyses

Dependent variables	R	R <sup>2</sup>	Adjusted r <sup>2</sup>	Unstandardized coefficients			Significance level (p<)
				Constant	PERA	PREC	
ONSH (PRF)	0.774	0.599	0.599	-0.698	0.433	-0.179	0.000
SURV (PRF)	0.053	0.003	0.002	0.619	0.022	-0.039	0.116
Dependent variables	R	R <sup>2</sup>	Adjusted r <sup>2</sup>	Constant	On-shelf		Significance level(p<)
SURV(OSS)	0.032	0.001	0.000	0.608	0.027		0.195

Field survey, 2009

**Regression analyses:** The averaged MO variable was regressed into PERA and PREC to see if any significant variations in the strength of the relationships could be noted. Table 2 shows the results. The adjusted r<sup>2</sup> value was 0.303 (p<0.001) for MO on PERA and 0.267 (p<0.001) for MO on PREC. This would seem to indicate that a firm’s market orientation has a significant effect on the readiness level of a product and its appropriateness for a particular market. The original market orientation model (Kohli and Jaworski, 1990) suggests that MO is a significant predictor for longer term performance in firms. Therefore, MO was directly regressed into both ONSH and SURV to see if first it predicted retail success and then if it predicted long-term survival. Table 2 shows the results of these analyses.

MO was shown to have a significant predictive value on ONSH but not on SURV. The adjusted r<sup>2</sup> value was 0.107 (p<0.001) for MO on ONSH but 0.001 (p<0.001) for MO on SURV. In this second model, the constant was actually the significant predictor while the beta coefficient for MO was not significant. MO would then seem to have some, although limited effect on the retail performance of manufacturers entering the mass retail marketplace. A discriminant analysis was then performed to see how well the MO/ONSH model correctly classified firms. Of the 1207 cases with complete data, MO correctly selected 91.3% (1022/1120) of the rejected products, 26.8% (125/466) of products forwarded for buyer review but then later rejected and 0.0% (0/83) of products destined for buyer acceptance. MO was very successful at determining which products were clearly not ready for buyer assessment but it was a poor determinant of those products worthy of further consideration. It did not appear to make many type 1 errors but was much weaker in avoiding type 2 errors. In this study, we suggest that another factor, product/market readiness is a significant

factor in determining a firm’s long term performance. Therefore, we regressed PERA and PREC into ONSH to see if these two independent evaluators assessments were significant predictors of firm’s success at getting its product into a mass retailer’s shelf.

Table 3 shows the results of this analysis. The model shows an adjusted r<sup>2</sup> value of 0.599 (p<0.001) which indicates that these two evaluations have a very significant predictive effect on shelf status. The independent evaluators overall assessments of firm and product readiness for a particular retail market appear to align well with the mass merchandiser’s needs. In order to see if PERA and PREC were good predictors of all levels of on shelf status, we performed a discriminant analysis testing this relationship. Of the 1207 cases with complete data, PERA and PREC correctly selected 96.3% (1006/1045) of the rejected products, 97.1% (405/417) of products forwarded for buyer review but then later rejected and 0.0% (0/80) of products destined for buyer acceptance. As was the case with MO, PERA and PREC were poor predictors of on shelf success. However, in contrast, they were excellent predictors of those products that were worthy of buyer review even though they were probably not suitable for the mass retail market. This model was much better at dealing with type 1 and 2 errors.

Finally, we tested whether or not a firm’s long term survival could be predicted by either PERA, PREC or ONSH. Table 3 shows the results of this analysis. As can be seen, neither the evaluators assessments nor actual on shelf success was a significant predictor of long term survival. Whether or not a firm is able to remain in business does not appear to be influenced to any real extent by its market orientation, its readiness to enter a mass retail market or its ability to get into a mass retailer’s shelf. Hypothesis 1 of the study suggests that a market orientation will predict a small manufacturer’s performance

in the mass retail marketplace. Market orientation was first regressed into the performance variables of PERA and PERC.

The results showed that MO significantly predicted the independent evaluator's assessment of market readiness and distribution level. This suggests that market orientation does a good job of indicating how prepared the firm's product is for a certain level of the marketplace. Next, MO was regressed into ONSH to determine whether or not MO significantly determined on self performance.

The results showed that MO was a significant predictor of on shelf performance but the discriminant analysis indicated that much of the success of this model lay in its ability to determine which products were completely unready for the mass retail market, not in its ability to determine which products had the potential for success. MO did not show itself to be a significant predictor of long term survival Hypothesis 1 is partially supported.

Hypothesis 2 suggests that adding product-related factors to the analysis will strengthen the prediction of performance for these small manufacturers. PERA and PREC-the independent evaluator's analyses of the firm's readiness to enter the marketplace and at what level were significantly correlated with ONSH indicating that these assessments were aligned with the mass merchandiser's need. The evaluators seems to have an accurate feel for what the marketplace needed and whether the product that the firm was offering would meet that need.

The regression analysis which tested this relationship resulted in an adjusted  $r^2$  value of 0.599, a very strong value for studies of this type. PERA and PREC were much stronger in predicting on shelf performance than was market orientation but the value of MO in indicating readiness and market level should not be understated. This study would suggest that market orientation is a good indicator of market readiness and market readiness is a good indicator of potential market success.

However, PERA and PREC were poor predictors of long term firm survival rates. Even a firm's on shelf success did not guarantee long term survival.

The results of this study would suggest that market orientation, market readiness and market success cannot guarantee survival for small manufacturers in this marketplace. While, this would seem to be contrary to conventional wisdom, the unpredictability of the marketplace determines to a large extent what products and services the consumer demands, not the quality of the firm that provides those goods nor the quality of the products themselves. Hypothesis 2 is partially supported.

## CONCLUSION

Kohli and Jaworski (1990) and Narver and Slater (1990) propose that a firm with a market orientation will achieve superior performance levels. The study confirms this conclusion with the sample of small scale manufacturers wanting to enter the mass retail market. Using items from the program's assessment, the researchers created a market orientation instrument which examined the firm's level of MO. Those firms in this study that showed a higher level of market orientation were clearly more likely to be independently judged as ready for the marketplace and ready for mass merchandiser distribution. On a more limited scale, market orientation had some predictive power in determining which products actually were placed on shelf, although the model's real value was in deciding which products were completely unsuited for the mass retail market. MO had no significant value in predicting long term survival.

Enright (2001) has suggested that the MO framework is dominating marketing research to the extent that it has become generally accepted as the only relevant and valid theory. Noble *et al.* (2002) noted that while market orientation is important, there are other product-oriented, consumer-oriented or market-oriented is essentially a matter of semantics. A successful firm is going to have to be all of these things and the line separating one from the other is meaningless (Enright, 2001). The study affirms these conclusions.

Using the items from the product evaluation instrument as a guide, the independent evaluator for each product made overall assessments about a product's readiness for the marketplace. Firms which showed a higher level of market readiness were more likely to reach a mass merchandiser's buyers with the prospect of being placed on the retailer's shelves. This independent evaluation was a much stronger predictor of on shelf status than was market orientation. As was the case with MO, market readiness was a poor predictor of long term survival for these small scale manufacturers.

Perhaps because it examined specific product-related qualities which are critical to acceptance in the marketplace, the product evaluation was a better predictor of the success of the firm in gaining acceptance by mass retailers than was market orientation. This is not to say that market orientation is not critical for the firm's success. On the contrary, the study suggests that a market orientation combined with a healthy emphasis on quality product provides the small scale manufacturer with the best chance at market success. What does this mean then for small firms wanting to supply the mass merchandising marketplace. These firms should not rely

on market orientation alone when trying to compete at the mass retail level but they should also keep critical product factors in mind. The study supports the importance of market orientation for small firms found by Kara *et al.* (2005) but it echoes the findings of Donovan (1996) who suggested that manufacturers must concentrate on multiple factors such as product quality and price to be competitive as mass market suppliers. Both firm factors and product factors are vital to a firm's performance in this volatile market. A market orientation may be useful for small manufacturer to a certain extent but as Narver and Slater (1990) point out, some firms may lose the actual MO benefit if the costs are too high. This study does not suggest that small scale manufacturers should pick and choose whether to be market-oriented or product-oriented, rather we contend that both philosophies complement each other and are necessary at the mass retail level. While, market orientation may improve market readiness, actual success in the marketplace (e.g., mass merchandiser shelf space) is determined to a large extent by multiple product-related factors.

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